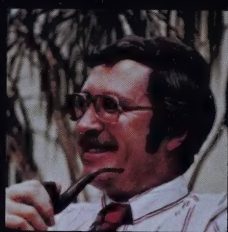
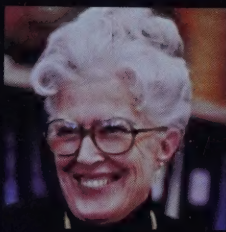


AR48



ANNUAL
REPORT
1977

confederation
life

1977 Achievements at a Glance



1977

1976

stated in '000's of dollars

New Business—Premiums

Individual
Group

\$ 23,199

\$ 21,002

50,035

50,584

73,234

New Business—Amounts

Individual
Group

1,010,685

921,874

1,715,045

1,661,959

Business in Force—Amounts

Individual Life

5,892,821

5,345,879

Group Life

14,441,197

11,864,597

Annuities and Pensions (equivalent basis)

2,689,871

2,614,120

Health Insurance in Force

Premiums

149,584

131,558

Benefits

Contractual Payments

to Policyholders and Beneficiaries

288,512

242,541

Individual Dividends to Policyholders

22,798

19,981

Assets

2,027,975

1,713,846

Surplus

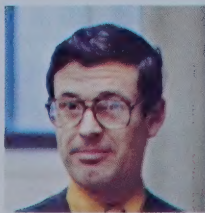
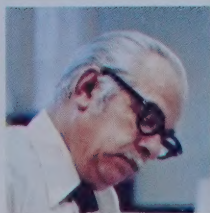
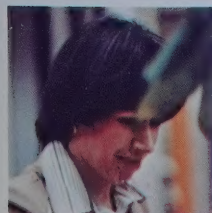
75,629

69,010

Net Rate of Interest Earned

8.31%

7.80%



Board of Directors

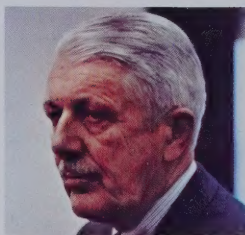
J. PAGE R. WADSWORTH
Chairman of the Board



JOHN A. RHIND
President and
Chief Executive Officer



DONALD A. McINTOSH, O.C.
Vice-President
Partner, Fraser & Beatty



GEORGE E. MARA
Vice-President
Chairman, Jannock
Corporation Limited



Report of the Directors to Policyholders

The past year has been one of remarkable growth and significant financial progress for Confederation Life. Actual results exceeded most objectives. Records were attained almost across the board, for sales, premium growth and financial results.

Sales of individual life insurance amounted to \$23.2 million of new annual premiums in 1977, an increase of 10.5% over 1976. Of this amount, Canadian business accounted for \$7.0 million, an increase of 22%, or 13% before single premium immediate annuities are included. United States sales were \$8.5 million, up 13%, United Kingdom \$5.5 million, up 21% and Caribbean \$2.2 million, down 32%. The decline in the Caribbean resulted from our decision to stop writing new business in 1977 in both Trinidad and Jamaica.

Group sales of \$50 million in 1977 matched the level of 1976 with sales in Canada being substantially higher. A decline in new group business in the United States reflected major rate increases and the concentration of effort on improving financial results.

Business in force rose significantly. Individual life insurance and annuities passed the milestone of six billion dollars of sums insured, going from \$5.8 billion to \$6.3 billion, and group life insurance in force increased from \$11.9 billion to \$14.4 billion. Group health premiums in force rose from \$128.2 million to \$145.9 million. Pension business continued to grow rapidly, with total general and segregated fund assets being managed for group pension clients increasing from \$454 million to \$565 million.

Total income from all sources reached \$648 million, an increase of 20%. Of this amount, \$420 million represented premiums from

policyholders, \$113 million arose from segregated fund deposits and investment income, and \$115 million was investment income from general funds. Payments to policyholders and beneficiaries, together with the provision for such future payments, increased 18% to \$546 million. Sales and administrative expenses rose 13% to \$72 million. After making full provision for corporate taxes in all jurisdictions, net operating income was \$9,764,000 in 1977 compared to \$5,361,000 in 1976. Favourable mortality experience, much improved results in U.S. group health and higher than expected investment income were important factors in this significant increase in operating income.

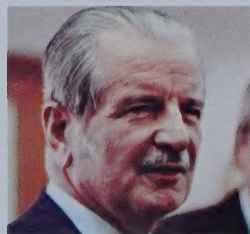
At year end, general funds, that is, assets exclusive of segregated funds, totalled \$1,565 million, an increase of \$204 million, or 15%. Mortgages increased by a record amount of \$128 million to \$622 million and the bond account rose by \$31 million to \$546 million. In the equity market, purchases of high income Canadian common stocks were emphasized in anticipation of improved tax treatment on such income. The book value of stocks increased by \$12 million to \$86 million. Policy loans rose by \$11 million, the same increase as in each of the previous two years, and at the end of 1977 totalled \$126 million. The net rate of interest earned on general fund assets, after deducting investment expenses, rose to 8.31% from 7.80%.

The market value of segregated fund assets rose to \$463 million, an increase of \$110 million, or 31%. Total assets passed the two billion dollar mark.

GEORGE R. ALBINO
President and Chief Operating
Officer
Rio Algom Limited



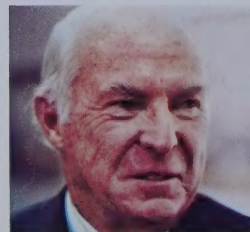
CLAUDE T. BISSELL, C.C., Ph.D.,
D.Litt., D.ès L., LL.D., F.R.S.C.
Former President, University of
Toronto



CONRAD M. BLACK
Chairman, Sterling Newspapers
Limited



ROBERT F. CHISHOLM, O.B.E.
Director, R. L. Crain Limited



Board of Directors

PIERRE P. DAIGLE
Vice-President and General Manager
City National Leasing Limited
Montreal



ANTHONY F. GRIFFITHS
Chairman and Chief Executive
Officer
Canadian Cablesystems Limited



C. MALIM HARDING, O.B.E.
Chairman of the Board
Harding Carpets Limited



THOMAS E. LADNER, D.S.C., Q.C.
Partner, Ladner Downs
Vancouver



Liabilities include for the first time the item bank loans, which amounted to \$15 million. This reflects the effort being made to keep funds fully and most effectively at work, even to the point of being over-invested. Amounts being held in anticipation of investment commitments for the general funds have been reduced or eliminated, resulting in a major reduction of short term security holdings.

The Investment Valuation Reserve and the Contingency Reserve have been combined and have been increased \$7.0 million to \$63 million. After this and other adjustments, the Surplus Account increased by \$6.6 million to \$75.6 million.

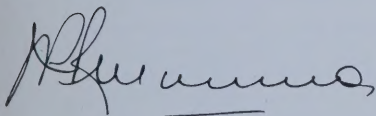
Reference was made in last year's report to difficulties and uncertainties surrounding our operations in Trinidad and Jamaica. During 1977, sales were discontinued in these countries and satisfactory arrangements were made for the sale of our business to local companies. We expect the transfer of liabilities and the appropriate assets related to this business to take place during 1978.

On September the 27th we were shocked and saddened to hear of the sudden death of John Kenneth Macdonald, a director and former chief executive of the Company. Having served as President from 1947 to 1969, and then Chairman until February, 1977, he had followed in the footsteps of his father, and his grandfather, the founder of the Company in 1871. The contribution he made to the character and development of Confederation Life during his fifty years of service will long leave a mark on this Company.

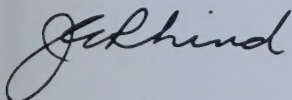
On February 18th, 1977, the date of the last annual meeting, Mr. Macdonald was succeeded as Chairman of the Board by J. Page R. Wadsworth. Mr. Wadsworth, a former Chairman and Chief Executive Officer of The Canadian Imperial Bank of Commerce, has been a director of Confederation Life for many years.

During the past year the Board was pleased to appoint, as directors, George R. Albino, President, Rio Algom Limited, and Conrad M. Black, Chairman, Sterling Newspapers Limited.

The Directors wish to express once again, to the staff in our many offices, and to those in the field, their appreciation for the contribution each has made toward the unusually fine results achieved by the Company in 1977.



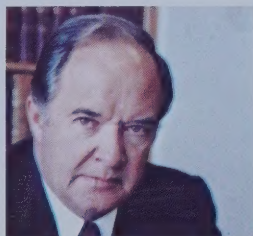
J. P. R. WADSWORTH,
Chairman of the
Board.



J. A. RHIND,
President and
Chief Executive
Officer.

Board of Directors

ANDRE MONAST, Q.C.
Partner, St-Laurent, Monast,
Walters & Vallières
Quebec



SIR RALPH PERRING, Bt.
Chairman, Perring Furnishings
Limited
London, England



MRS. HELEN D. PHELAN
Chairman, Percy R. Gardiner
Foundation



RAY D. WOLFE
Chairman of the Board and
President
The Oshawa Group Limited





Interview with the President

The full scope of the organization behind published year-end results can, at best, only be partially conveyed by the figures and formal comments in an annual report. In this interview, Mr. Rhind's responses provide some additional insights into the goals, challenges and achievements that underlie Confederation Life's operations.

How do you feel about Confederation Life's performance during the past year?

Our plans called for achieving some rather stiff objectives in 1977, and we seem to have reached or passed most of them. These objectives cover a wide geographical range and several product lines, each with a series of different yardsticks. To be able to say that we achieved almost all our objectives across the board, indicates that 1977 was a year when we "put it all together".

What were some of the significant developments in Confederation Life during 1977?

It is difficult to select specific developments from among so many areas of activity. Certainly one that should be mentioned is the sizeable increase in our Canadian individual sales force, a reversal of the trend in recent years. Another is the continued rapid rate of growth of our Canadian group business, a remarkable achievement in light of the current Canadian government controls on salaries and benefits.

In the United States, our individual business grew at a faster rate than the market generally, and we exceeded our goal for expanding the number of agencies. In U.S. group, we were able to reverse the pattern of recent years and achieve a positive financial result.

In the Caribbean area, we have been concerned for some time about the future of our operations in light of growing government pressure for local ownership of insurance companies. As a result, we decided during the year to discontinue our operations in Jamaica and Trinidad. While we regret losing this long-established part of our operations, we are pleased that we were able to find well-established local companies to whom we plan to transfer our business in those islands.

In the United Kingdom, we experienced a year of outstanding growth. Reflecting the expansion of our U.K. business in recent years, we moved our Chief Office for the United Kingdom to attractive new quarters in Chancery Lane, London.

How did Confed's growth of sales compare with its competitors'?

In individual insurance our sales were up 13% in both Canada and the United States, while industry figures were up 6% and 8% respectively. In the United Kingdom, we

were up 21% which, I believe, is significantly better than the industry. In our group insurance and pension business, we maintained our large share of the Canadian market. In the United States, following some years of rapid growth in our group business, we were more concerned with obtaining positive financial results than expanding sales and were quite successful in achieving this goal.

What about financial results? Did they turn out as expected?

With rising operating costs, a heavier tax impact, and the financial strain resulting from the growth of new business, we really did not expect the results to be as good as they were. However, favourable mortality experience, the significant improvement in the United States group financial picture, and investment income in excess of our expectations, combined to produce the favourable figures that appear in this year's report to policyholders.

Does the policyholder benefit when the Company has a good year financially?

Yes, certainly. And not only policyholders, but all who are associated with the Company. Essentially all Confederation Life earnings are used within the Company either to strengthen its financial position, or to improve policyholder dividends, or to expand its operations. It takes a great deal of analysis and judgment to determine the correct balance for these calls on funds, and this judgment is one important aspect of what management contributes to the progress of the Company. So the answer is, yes, the policyholder, as well as others, benefits from good financial results. While these benefits are not always immediate and apparent, over the long term they are of very real value to all concerned.

What role does product development play in your planning?

We are a merchandising organization and, therefore, product development and marketing strategies are important. As you might expect for a company of our size and scope, we have a broad line of products which generally meets the demands of the market. But we are alert to legislative and market trends and the opportunities that these present for product development.





It has been said that Confed's organization differs from other companies. In what way?

Many life company head offices are organized on a functional basis; that is, they have departments such as sales, underwriting, actuarial, accounting and so on, which service all areas of operations. We are different. Confederation Life is organized on a regional basis. Each of our three regions—Canada, the United States (including the Caribbean), and the United Kingdom, have most of their own services and operate under the direction of a senior vice-president. In a large company such as ours, this type of organization has the advantage of developing regional team spirit and a sense of purpose among staff members. It also permits us to respond quickly to changing legislative and market conditions in each country. In addition to the regional divisions, there are the Investment, Corporate, Legal and Personnel divisions. Opportunities are available for staff to be promoted from one division to another. This form of organization is working well for us.

What are the future prospects for the Company?

For the short term, we are off to a good start in 1978. The longer term outlook is even more promising.

We have established a broad base of business.

We have an organization with a strong team spirit.

We have top-notch management people. The calibre of our field force is excellent. Our products cover a wide market. And, overall, we expect the demand for these products will continue in all the regions in which we operate.

These factors, combined with the ambitious objectives we have set in our long-term plans, indicate that Confederation Life will continue to be a strong dynamic company and a leader in the industry in the years ahead.

Consolidated Statement of Operations

for the year ended December 31, 1977

		1977	1976
		stated in '000's of dollars	
Income	Premiums from Policyholders	\$420,115	\$348,847
	Segregated Funds being Deposits and Income	112,824	97,006
	Interest, Dividends and Rents, Less Investment Expenses	115,124	95,655
		\$648,063	\$541,508
Distribution of Income	To Policyholders and Beneficiaries		
	Death Claims	\$ 61,039	\$ 53,497
	Endowments Matured	7,548	8,278
	Annuity Payments	28,520	23,333
	Disability and Health Benefits	132,459	116,759
	Surrender Payments	52,649	34,861
	Interest to Policyholders	6,297	5,813
	Increase in Segregated Fund Liabilities	93,037	82,699
	Increase in Policyholders' Reserves	126,221	101,643
	Dividends to Policyholders Paid or Set Aside	38,285	34,158
	Operating Expenses		
	Service, Sales and Administration Expenses	71,754	63,258
	Taxes and Licence Fees	20,490	11,848
		\$638,299	\$536,147
	Net Income on Operations	\$ 9,764	\$ 5,361

Consolidated Statement of Surplus

for the year ended December 31, 1977

1977 1976

stated in '000's of dollars

Balance, Beginning of Year	\$69,010	\$66,141
Net Income on Operations	9,764	5,361
Net Gain on Investments	80	703
Gain on Sale of Business	Nil	998
Transfer to Investment and Contingency Reserve (Note 5)	(7,000)	(7,000)
Adjustment of Policy Liabilities	(194)	(1,769)
Reduction of Tax Liabilities (Note 4)	4,580	5,549
Adjustment for Currency Values	(611)	(973)
Balance, End of Year	\$75,629	\$69,010

Consolidated Balance Sheet

as at December 31, 1977

		1977	1976
		stated in '000's of dollars	
Assets			
	Bonds (Note 3)	\$ 545,754	\$ 514,460
	Stocks (Note 3)	85,935	73,660
	Mortgage Loans	621,664	493,344
	Segregated Investments (Market Value)	463,117	353,098
	Home Office Property & Computer Equipment	18,844	19,137
	Real Estate Investments	92,456	90,183
	Loans on Policies	125,622	114,153
	Cash and Bank Short Term Paper	2,699	1,032
	Interest and Rents Earned but not yet Received	29,088	20,638
	Premiums in Course of Collection	34,945	25,915
	Other Assets	7,851	8,226
		\$2,027,975	\$1,713,846
Liabilities			
	Policyholders' Reserves	\$1,095,826	\$ 970,913
	Policy Proceeds, Dividends and Other Amounts on Deposit	99,142	90,736
	Segregated Investment Funds	463,117	353,098
	Policy Claims in Process of Payment	50,795	47,245
	Provision for Future Disability Income Payments	99,500	76,800
	Provision for Future Dividends to Policyholders	39,179	29,295
	Bank Loans	15,000	Nil
	Taxes and Other Liabilities	26,787	20,749
	Investment and Contingency Reserve (Notes 3 and 5)	63,000	56,000
	Surplus	75,629	69,010
		\$2,027,975	\$1,713,846

Notes to Consolidated Financial Statements

1. These financial statements have been prepared on a consolidated basis to include the operations of the Company's wholly-owned life insurance and real estate subsidiaries.
2. Throughout the statements, United States currency is included at the rate of \$1.00 Canadian to the U.S. dollar. Sterling currency is included at \$2.20 Canadian to the pound. If current rates of exchange had been used in the balance sheet, there would have been an increase in the surplus shown of about 2 per cent.
3. Bonds and stocks are valued at amortized cost or less, which values, after deducting the investment and contingency reserve, are lower than the values if determined in the manner prescribed by the insurance laws of Canada.
4. Full provision is made in the consolidated statement of operations for all taxes in respect of the current year's income. The tax effects of investment and other transactions reflected in the consolidated statement of surplus, adjustment of tax liabilities in respect of prior years, and reductions in current tax liabilities arising from the deduction of amounts not previously claimed for tax purposes, are included in the consolidated statement of surplus.
5. In 1977 the investment valuation reserve and the contingency reserve have been combined into the investment and contingency reserve and the 1976 figures have been changed accordingly.

Actuary's Certificate

I hereby certify that the Policyholders' Reserves and other liabilities under policy contracts included herein are not less than those required by the Canadian and British Insurance Companies Act, and that in my opinion they make good and sufficient provision for all unmatured obligations of the Company.

Toronto, Canada
January 25, 1978

M. Rosenfelder
Valuation Actuary,
Corporate Vice-President
Actuarial, Statements & Taxation

Auditors' Report

To the Policyholders and Directors
of Confederation Life Insurance Company

We have examined the consolidated balance sheet of Confederation Life Insurance Company as at December 31, 1977 and the consolidated statements of operations and surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances; the amounts required to provide for policyholders' reserves and other liabilities under policy contracts were determined and certified by the Company's Valuation Actuary.

In our opinion, based on our examination and the certificate of the Company's Valuation Actuary, these financial statements present fairly the financial position of the Company as at December 31, 1977 and the results of its operations for the year then ended in accordance with accounting practices prescribed or permitted by the Department of Insurance, Canada.

Toronto, Canada
January 25, 1978

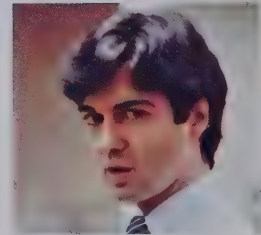
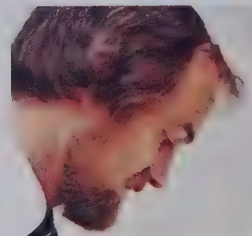
Clarkson, Gordon & Co.,
Chartered Accountants

No two alike

At times people exhibit remarkable similarities...in appearance, in habits, in abilities and needs. Yet the striking fact is that, for all their similarities, the essential quality in people rests in their differences. No two are precisely alike, no one is a carbon copy of another.

This individuality is recognized as a source of strength at Confederation Life. There are 2500 sales and administrative people associated with the Company throughout Canada, the United States, the United Kingdom and the Caribbean.

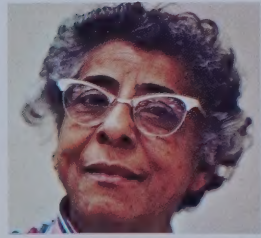
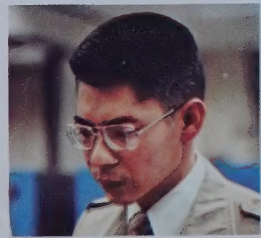
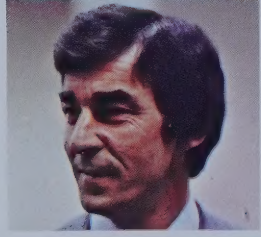
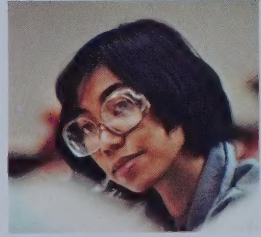
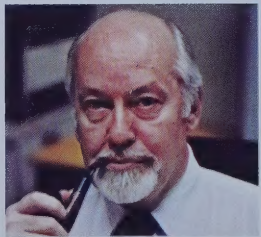
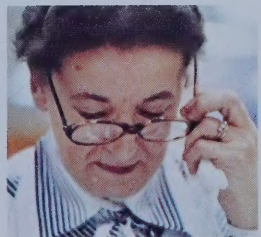
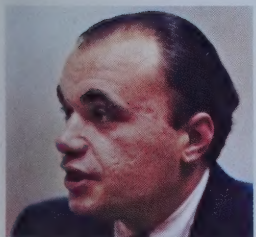
These people are encouraged to match their own abilities and imagination to their job of providing a wide range of insurance services to the well over three million policyholders, certificate holders and their dependents covered under Confederation Life contracts.



In a business that makes such a direct commitment to the customer, the competence of our people is our principal resource. By emphasizing personal responsibility in their work, our staff members respond, in a personal way, to the needs of all who use our services.

The individuals pictured here are representative of our staff members worldwide. Each contributes to the overall success of our business in his or her own right. Participating on this basis provides each of them with an opportunity for personal

growth and development as well as for a substantial measure of satisfaction and reward. Confederation Life salutes its widespread sales and administrative people as a key element in its success to date and in its potential for the future.

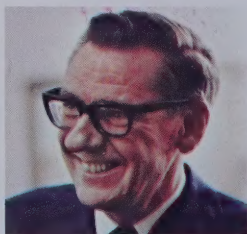


President's Advisory Council

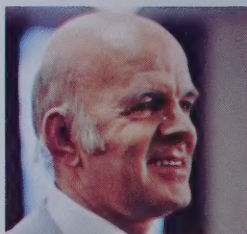
R. M. BELL, Q.C.
Vice-President,
General Counsel
and Secretary



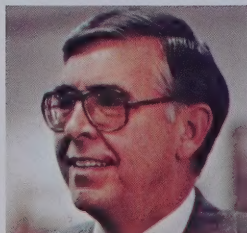
P. D. BURNS
Vice-President,
Canadian Operations



J. B. HEARD
Vice-President,
Personnel



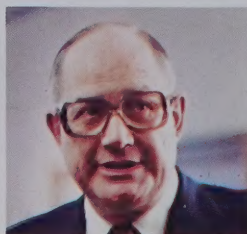
P. W. LLOYD
Vice-President,
United States and
Caribbean Operations



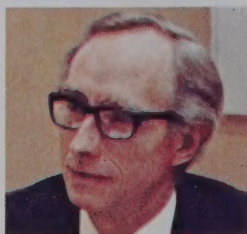
J. H. WATSON
Vice-President,
Investments



D. E. WATTS
Vice-President,
Corporate

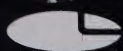


P. WORTMAN
Vice-President
and General Manager
for the United Kingdom



Pour recevoir ce Rapport annuel en français,
il suffit d'en faire la demande.

A copy of the Annual Report in French is available on request.



Confederation Life
INSURANCE COMPANY

A MUTUAL COMPANY INCORPORATED IN CANADA IN 1871
321 BLOOR STREET EAST, TORONTO, CANADA M4W 1H1